

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 2011 TAXES**

**For The Period
April 16, 2011 Through April 16, 2012**



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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 2011 TAXES

For The Period
April 16, 2011 Through April 16, 2012

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2011 Taxes for the Clinton County Sheriff for the period April 16, 2011 through April 16, 2012. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,872,240 for the districts for 2011 taxes, retaining commissions of \$118,143 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,747,722 to the districts for 2011 taxes. Taxes of \$1,785 are due to the districts from the Sheriff.

Report Comments:

- 2011-01 The Sheriff Has A Known Deficit Of \$3,966 From Undeposited Receipts In His Tax Account
- 2011-02 The Sheriff Did Not Deposit Receipts Of The Office In A Timely Manner And Did Not Reconcile Deposits To The Daily Tax Collection Journal
- 2011-03 The Sheriff Should Not Transfer Funds Between Accounts To Pay Liabilities
- 2011-04 The Sheriff Should Not Deposit Fee Receipts In His Tax Account
- 2011-05 The Sheriff Should Not Commingle Public And Private Funds
- 2011-06 The Sheriff Did Not Distribute Interest Earned On Tax Collections To The School District And His Fee Account
- 2011-07 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 16, 2012. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid for the period April 16, 2011 through April 16, 2012, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2012 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2011-01 The Sheriff Has A Known Deficit Of \$3,966 From Undeposited Receipts In His Tax Account
- 2011-02 The Sheriff Did Not Deposit Receipts Of The Office In A Timely Manner And Did Not Reconcile Deposits To The Daily Tax Collection Journal
- 2011-03 The Sheriff Should Not Transfer Funds Between Accounts To Pay Liabilities
- 2011-04 The Sheriff Should Not Deposit Fee Receipts In His Tax Account
- 2011-05 The Sheriff Should Not Commingle Public And Private Funds
- 2011-06 The Sheriff Did Not Distribute Interest Earned On Tax Collections To The School District And His Fee Account
- 2011-07 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

December 17, 2012

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 2011 TAXES

For The Period April 16, 2011 Through April 16, 2012

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 216,399	\$ 440,500	\$ 1,408,427	\$ 447,469
Tangible Personal Property	24,957	51,449	90,918	93,864
Fire Protection	965			
Franchise Taxes				
Current Year	19,186	39,515	96,697	
Prior Year	6,511	10,649	32,686	
Additional Billings	100	183	659	208
Oil and Gas Property Taxes	3,032	6,173	19,736	6,271
Limestone, Sand and Mineral Reserves	134	274	876	278
Penalties	1,762	3,579	11,126	3,631
Adjusted to Sheriff's Receipt	55	168	421	134
Gross Chargeable to Sheriff	273,101	552,490	1,661,546	551,855
<u>Credits</u>				
Exonerations	1,111	2,261	7,228	2,296
Discounts	4,018	8,109	24,506	8,640
Delinquents:				
Real Estate	8,776	17,836	57,030	18,119
Tangible Personal Property	331	682	1,302	2,602
Franchise Taxes	221	453	1,231	
Total Credits	14,457	29,341	91,297	31,657
Taxes Collected	258,644	523,149	1,570,249	520,198
Less: Commissions *	10,992	22,234	62,810	22,107
Taxes Due	247,652	500,915	1,507,439	498,091
Taxes Paid	247,032	499,911	1,503,948	496,831
Refunds (Current and Prior Year)	396	758	2,607	829
		**		
Due Districts				
as of Completion of Audit	\$ 224	\$ 246	\$ 884	\$ 431

* and ** See next page.

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 2011 TAXES
For The Period April 16, 2011 Through April 16, 2012
(Continued)

* Commissions:

4.25% on \$ 1,301,991

4% on \$ 1,570,249

** Special Taxing Districts:

Library District	\$	61
Health District		67
Extension District		118

Due Districts	\$	246
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CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

April 16, 2012

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
April 16, 2012
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clinton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 16, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2011. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2012. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 10, 2011 through April 16, 2012.

Note 4. Interest Income

The Clinton County Sheriff earned \$179 as interest income on 2011 taxes. As of December 17, 2012, the Sheriff owed \$94 in interest to the school district and \$85 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Clinton County Sheriff collected \$16,123 of 10% add-on fees allowed by KRS 134.119(7). As of December 17, 2012, the Sheriff owed \$588 in 10% add-on fees to his fee account.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of April 16, 2012

Assets

Cash in Bank (All Tax Accounts)	\$ 184,720
Deposits in Transit	26,854
Receivables	<u>5,439</u>
Total Assets	217,013

Liabilities

Paid Obligations-

Outstanding Checks	\$ 172,227
Other Taxing Districts-	
State	6,840
County	3,438
School	22,350
Library	1,662
Health	1,951
Extension	2,665
Soil	726
Refunds Due Taxpayers	458
Tax Commissions Due Sheriff's Fee Account	4,361
10% Add-On Fees Due Sheriff's Fee Account	148
NSF Checks	166
Service Charges	<u>21</u>

Total Paid Obligations	\$ 217,013
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Unpaid Obligations-

Other Taxing Districts-	
County	224
School	884

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
As of April 16, 2012
(Continued)

Liabilities (Continued)

Unpaid Obligations- (Continued)

Other Taxing Districts- (Continued)

Library	\$	61
Health		67
Extension		119
Interest Due School		94
Interest Due Sheriff's Fee Account		85
Commissions Due Sheriff's Fee Account		95
10% Add-On Fees Due Sheriff's Fee Account		588
Fee Money Deposited into Tax Account		
Due Sheriff's Fee Account		680

Total Unpaid Obligations \$ 2,897

Total Liabilities \$ 219,910

Total Fund Deficit as of April 16, 2012 \$ (2,897)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Clinton County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 16, 2012, and have issued our report thereon dated December 17, 2012. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Clinton County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2011-01, 2011-02, and 2011-07 in the accompanying comments and recommendations to be material weaknesses.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2011-03, 2011-04, and 2011-05 in the accompanying comments and recommendations to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 16, 2012, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2011-02, 2011-05, and 2011-06.

The Clinton County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Clinton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

December 17, 2012

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2011 Through April 16, 2012

FINANCIAL STATEMENT FINDINGS:

2011-01 The Sheriff Has A Known Deficit Of \$3,966 From Undeposited Tax Receipts In His Tax Account

Based on available records, our audit determined there is a deficit of \$3,966 in the Sheriff's official tax account. This deficit resulted primarily from undeposited 2011 tax receipts. As collector of property taxes, the Sheriff assumes full responsibility for all tax collections and complete distribution of these collections to the proper taxing authority. In order to properly distribute 2011 tax collections, we recommend the Sheriff eliminate the deficit in the 2011 tax account with personal funds. On October 12, 2012, the Sheriff deposited personal funds of \$1,069 into the 2011 tax account, leaving \$2,897 due to the 2011 tax account. We further recommend the Sheriff, in the future, deposit daily collections intact and immediately reconcile deposits to collection reports in order to explain and correct deposit shortages timely.

Sheriff's Response: The amount of \$2,896.53 was paid out of my personal account on 12-21-12 leaving a 0 balance.

2011-02 The Sheriff Did Not Deposit Receipts Of The Office In A Timely Manner And Did Not Reconcile Deposits To The Daily Tax Collection Journal

During our test of daily receipts, we noted deposits were not made on a daily basis, were not made intact, and were not always reconciled to the daily tax collection journal. Auditor obtained copies of the deposit detail, which shows all checks that comprise the deposit and the amount of cash, from the bank for deposits selected for testing in order to compare to the daily tax collection journal report, which lists all taxpayers which paid their tax bill that day. When a taxpayer paid a bill, it was entered into the computer system, but the check may not be deposited in bank that day. The following discrepancies were noted:

- Taxpayer checks included within the deposit detail did not always trace to the daily tax collection journal. These checks were collected at an earlier date and held for several weeks. For example, the daily tax collection journal for January 6, 2012 reported 15 tax bills paid in the amount of \$2,354; however, the deposit detail included one check from a company in the amount of \$2,215 and \$32 in cash for a total deposit of \$2,247. A difference of \$107 in undeposited penalties was noted. For further explanation, see the next bullet.

CLINTON COUNTY
 RICKY RIDDLE, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Period April 16, 2011 Through April 16, 2012
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2011-02 The Sheriff Did Not Deposit Receipts Of The Office In A Timely Manner And Did Not Reconcile Deposits To The Daily Tax Collection Journal (Continued)

<u>Per Daily Tax Collection Report</u>	<u>Amount</u>	<u>Per Deposit Detail</u>	<u>Amount</u>
Taxpayer A	\$ 144	Company A	\$ 2,215
Taxpayer B	129	Cash	32
Taxpayer C	410		
Taxpayer D	165		
Taxpayer E	36		
Taxpayer F	14		
Taxpayer G	130		
Taxpayer H	252		
Taxpayer I	81		
Taxpayer J	187		
Taxpayer K	345		
Taxpayer L	108		
Taxpayer M	94		
Taxpayer N	108		
Taxpayer O	151		
Total	<u>2,354</u>		<u>\$ 2,247</u>

- On January 6, 2012, penalties of \$112 (less \$5 shortage) were collected, but not deposited into the bank account. An additional \$517 of penalties were collected on January 9, 2012, but not deposited into the bank account.
- Additional bills collected in the amount of \$302 were not deposited into the bank.
- Forty-four (44) of the one-hundred thirty-nine (139) deposits did not clear the bank timely.
- \$680 in fee account receipts were deposited into the tax account.
- Regular tax collections of \$1,837 were not deposited.
- Sheriff add-on fees of \$588 were not deposited.
- The Sheriff did not distinguish if the taxpayer paid by cash and/or check on the tax bills or daily tax collection journal. Therefore, auditor could not reconcile cash and/or check totals recorded on the deposit slip did not agree with the total cash and checks presented to the bank for deposit.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual require that deposits be made daily. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2011 Through April 16, 2012
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2011-02 The Sheriff Did Not Deposit Receipts Of The Office In A Timely Manner And Did Not Reconcile Deposits To The Daily Tax Collection Journal (Continued)

We recommend the Sheriff immediately implement controls over the deposit process to assure deposits are made daily and include all tax receipts accepted by the Sheriff's office for that day to comply with KRS 68.210. The deposit slip preparation process should have included steps to verify the accuracy of information included on deposit slips and that the deposit slip agreed with the daily tax collection journal. We further recommend they Sheriff reconcile the cash and/or check totals agree with deposit.

Sheriff's Response: Changes have been made to the tax collection procedures.

2011-03 The Sheriff Should Not Transfer Funds Between Accounts To Pay Liabilities

Due to a shortage in the tax account, the Sheriff transferred the balances in the 2009 and 2010 tax accounts to the 2011 tax account in an attempt to cover all outstanding liabilities. By year end, funds in the 2011 tax account were completely spent and the previous years' tax accounts were not properly settled. When a lack of control or oversight over record keeping exists, this type of situation is allowed to occur. The possible effects are shortages in various accounts, which may result in the inability to pay required amounts to taxing districts, vendors, etc. Also, the ability to properly budget for operations of the office becomes increasingly difficult. We recommend the Sheriff refrain from making loans between his official accounts, and pay back monies that are due to each account. Furthermore, we recommend the Sheriff immediately implement controls and oversight over his office so receipts are deposited in the appropriate account.

Sheriff's Response: The small balance of the 2009 and 2010 accounts was transferred to the 2011 account in order to close the accounts because the bank was charging us monthly fees.

2011-04 The Sheriff Should Not Deposit Fee Receipts In His Tax Account

During our test of daily receipts, we noted fee account receipts for vehicle inspections were deposited into the 2011 tax account on three occasions totaling \$680. Of this amount, \$560 should have been deposited into the 2011 fee account. Since the 2011 fee audit has been completed, we will include these as 2012 fees, along with the \$120 which should have been deposited into the 2012 fee account. Additionally, since there were no surplus funds in the 2011 tax account, the fee account receipts noted above were most likely not recorded in the fee account receipts ledger. This would indicate the fee checks deposited to the tax account were then used to cover undeposited 2011 tax receipts. Because the Sheriff lacked controls over the tax collection and deposit process in his office and he did not provide adequate oversight in these areas, this situation was allowed to occur. As in any office, the Sheriff is expected to deposit all monies paid to his office into the correct bank account and in a timely manner. We recommend the Sheriff avoid depositing fee receipts into his official tax account. We also recommend the Sheriff, after he has eliminated the known deficit in his 2011 tax account; transfer \$680 to his 2012 fee account.

Sheriff's Response: We now have controls set in place and I take the deposits every day. The \$680 has been transferred to the fee account.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2011 Through April 16, 2012
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2011-05 The Sheriff Should Not Commingle Public And Private Funds

During the review of deposits, auditor noted several personal checks and payroll checks were cashed from tax receipts. As an example, we found where the bookkeeper cashed a personal business check in the amount of \$1,875. The pay to the order of was left blank and the memo stated repairs and labor. Per the bookkeeper, she cashed the check to pay for services performed for her personal business since the bank was closed. The lack of effective internal controls over receipts led to the commingling of public and private funds which is prohibited by statute. Per KRS 64.850, "It shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited." The Sheriff should prohibit employees from cashing checks in the Sheriff's office. We recommend the Sheriff implement internal controls to prevent the commingling of public and private funds.

Sheriff's Response: We will no longer accept paychecks, only checks made payable to the sheriff for the amount of taxes.

2011-06 The Sheriff Did Not Distribute Interest Earned On Tax Collections To The School District And His Fee Account

During the course of the audit, we noted that interest earned on the 2011 tax account was not distributed to the school district and the Sheriff's fee account. Based on our computations, we determined that \$94 is owed to the Clinton County School Board and \$85 is owed to the Sheriff's 2012 fee account. In accordance with KRS 134.140(3)(b) and KRS 134.300 the Sheriff is required to pay to the school districts by the tenth of each month, that part of the investment earnings for the month, which is attributable to the investment of school taxes. We recommend the Sheriff pay the amounts due, as noted above to the Clinton County School Board and his 2012 fee account. We further recommend that in the future, the Sheriff comply with KRS 134.140(3)(b) and KRS 134.300 by paying the amount of interest due to the school district in a timely manner.

Sheriff's Response: has been paid.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2011 Through April 16, 2012
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2011-07 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions

A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the Sheriff's bookkeeper opens incoming mail, collects tax payments, prepares deposits, prepares daily tax collection journals, and prepares monthly tax reports.

A limited budget places restrictions on the number of employees the Sheriff can hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts, which could occur but go undetected.

Additionally, because a lack of adequate segregation of duties existed and because the Sheriff did not provide strong oversight over the office, the following occurred:

- The Sheriff Had A Deficit Of \$3,966 In His Tax Account (comment 2011-01)
- The Sheriff Did Not Deposit Receipts In A Timely Manner Or Reconcile Deposits To The Daily Tax Collection Journal (comment 2011-02)
- The Sheriff Transferred Funds Between Accounts To Pay Liabilities (comment 2011-03)
- The Sheriff Deposited Fee Money To Tax Account (comment 2011-04)
- The Sheriff Commingled Private And Public Funds (comment 2011-05)
- The Sheriff Did Not Pay Interest Owed To The School (comment 2011-06)

A segregation of duties over various accounting functions, such as opening mail, collecting cash, preparing bank deposits, preparing monthly reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should separate the duties involving the opening of mail, collecting and depositing of cash, and preparing the monthly tax reports. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Additionally, the Sheriff could provide this oversight. If the Sheriff does implement compensating controls, these should be documented on the appropriate source documents.

Sheriff's Response: We are short handed and doing the best we can with what we have.

